

1 UNITED STATES BANKRUPTCY COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION

4 In re:

5 **PG&E CORPORATION,**

6 **- and -**

7 **PACIFIC GAS AND ELECTRIC**
8 **COMPANY,**

9 **Debtors.**

- 10 ☐ Affects PG&E Corporation
11 ☐ Affects Pacific Gas & Electric Company
12 ☒ Affects both Debtors

13 **All papers shall be filed in the Lead Case*
14 *No. 19-30088 (DM)*

Bankruptcy Case No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

**FIRST INTERIM APPLICATION OF LAZARD
FRÈRES & CO. LLC FOR ALLOWANCE AND
PAYMENT OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES
INCURRED AS INVESTMENT BANKER TO
THE DEBTORS FOR THE PERIOD FROM
JANUARY 29, 2019 THROUGH MAY 31, 2019**

Date: TBD, 2019

Time: 9:30 a.m. (Pacific Time)

Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
450 Golden Gate Avenue
San Francisco, CA 94102

Re: Dockets Nos.: 2769 & 3403

Objection Deadline:

October 21, 2019 at 4:00p.m (Pacific Time)

1 **General Information**

2
3 Name of Applicant: Lazard Frères & Co. LLC
4 Authorized to Provide
5 Professional Services to: Debtors and Debtors-In-Possession
6 Petition Date: January 29, 2019
7 Retention Date: May 24, 2019 *nunc pro tunc* January 29, 2019
8 Prior Applications: None
9

10 **Summary of Fees and Expenses Sought in this Application**

11
12 Time Period Covers by this Application: January 29, 2019 through May 31, 2019
13 Amount of Compensation Sought as Actual,
14 Reasonable, and Necessary for
15 the Compensation Period: \$900,000.00 (100%)¹
16 Amount of Compensation Sought as Actual,
17 Reasonable, and Necessary for
18 the Compensation Period: \$234,599.53
19 Total Compensation and Expenses Requested for
20 the Compensation Period: \$1,134,599.53
21 Compensation and Expenses Sought in this
22 Application Not Yet Paid: \$1,134,599.53
23

24 This is a: ___ monthly x interim ___ final application
25
26
27

28 ¹ Lazard's retention was approved pursuant to the terms and conditions set forth in its engagement letter dated January 4, 2019 (the "Engagement Letter") as limited or modified by the Retention Order [Dkt. No. 2229]. Prior to the commencement of these cases, the PG&E Debtors paid Lazard \$300,000 for the month of February 2019 pursuant to the Engagement Letter

**SUMMARY OF MONTHLY FEE STATEMENTS FOR THE COMPENSATION
PERIOD**

Date Filed Docket No.	Period Covered	Fees Due (80% Fees)	Holdback (20% Fees)	Expenses Requested (100% Expenses)	Amounts Paid to Date	Remaining Unpaid Amount
06/26/19 Dkt. #2769	1/29/19 – 4/30/19	\$480,000.00	\$120,000.00	\$193,796.88	\$0.00	\$793,796.88
08/07/19 Dkt. #3403	5/1/19 – 5/31/19	\$240,000.00	\$60,000.00	\$40,802.65	\$0.00	\$340,802.65
TOTAL		\$720,000.00	\$180,000.00	\$234,599.53	\$0.00	\$1,134,599.53

Summary of Any Objections to Monthly Fee Statements: None

Compensation and Expenses Sought in this Application Not Yet Paid: \$1,134,599.36

**COMPENSATION BY PROFESSIONAL
FOR THE PERIOD JANUARY 29, 2019 THROUGH MAY 31, 2019**

Name of Professional Individual	Position of the Applicant and Area of Expertise	Hourly Billing Rate (including Changes)	Total Hours Billed	Total Compensation
Kenneth M. Jacobs	Chief Executive Office	n/a	12.0	n/a
David Kurtz	Vice Chairman	n/a	31.0	n/a
Mary Ann Deignan	Managing Director	n/a	5.0	n/a
Tomer Perry	Managing Director	n/a	4.0	n/a
Ken Ziman	Managing Director	n/a	466.8	n/a
Christopher Couvelier	Director	n/a	5.5	n/a
Gregory Hort	Director	n/a	160.3	n/a
Christian Tempke	Director	n/a	436.5	n/a
Charles H. Kim	Vice President	n/a	4.0	n/a
Komu Kumar	Vice President	n/a	127.5	n/a
Eli Silverman	Vice President	n/a	955.5	n/a
Andrew Wood	Vice President	n/a	3.0	n/a
Garrett Deutsch	Associate	n/a	11.0	n/a
Daniel Katz	Associate	n/a	423.0	n/a
Alexander Lotz	Associate	n/a	6.5	n/a
Nathan Mooney	Associate	n/a	753.5	n/a
Matt Strain	Associate	n/a	183.0	n/a
Luke Cummings	Analyst	n/a	163.5	n/a
Liam Fine	Analyst	n/a	457.5	n/a
Kevin Hatch	Analyst	n/a	853.5	n/a
Michael Hinz	Analyst	n/a	6.0	n/a
Dan Liotta	Analyst	n/a	87.0	n/a
Maxwell Lubkeman	Analyst	n/a	8.0	n/a
Caroline Sambuco	Analyst	n/a	17.5	n/a
Katherine Tobeason	Analyst	n/a	17.0	n/a
Bryant Wang	Analyst	n/a	327.5	n/a
TOTAL			5,525.6	\$900,000.00

COMPENSATION BY WORK TASK CODE
FOR THE PERIOD JANUARY 29, 2019 THROUGH MAY 31, 2019

Project Categories	Total Hours	Total Fees
Interface with Professionals, Official Committees, and Other Parties-In-Interest	1,415.5	n/a
Business Operations Planning, Monitoring, Reporting and Analysis and Projections	532.3	n/a
Preparation and/or review of Court Filings	44.9	n/a
Court Testimony/Deposition and Preparation	188.7	n/a
Valuation Analysis	335.2	n/a
Capital Structure Review and Analysis	651.1	n/a
Merger & Acquisition Activity	16.4	n/a
Financing including DIP and Exit Financing	404.8	n/a
General Corporate Finance, Research and Analysis, and Other Due Diligence	1,913.7	n/a
Fee Application, Engagement	21.1	n/a
Employee Retention Program	2.0	n/a
TOTAL	5,525.6	\$900,000.00

EXPENSE SUMMARY
FOR THE PERIOD JANUARY 29, 2019 THROUGH MAY 31, 2019

Expense Category	Service Provider (if applicable)	Total Expenses
Car Services and Taxis		\$10,764.60
Employee Meals		773.40
Legal Expenses		635.67
Legal Fees		130,514.00
Meals – Meetings/Travel		4,837.37
Travel		87,074.49
Total Expenses		\$234,599.53

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
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In re:

PG&E CORPORATION,

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**PACIFIC GAS AND ELECTRIC
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AS INVESTMENT BANKER TO THE DEBTORS
FOR THE PERIOD FROM JANUARY 29, 2019
THROUGH MAY 31, 2019**

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Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
450 Golden Gate Avenue
San Francisco, CA 94102

Re: Dockets Nos.: 2769 & 3403

Objection Deadline:

October 21, 2019 at 4:00p.m (Pacific Time)

1 Lazard Frères & Co. LLC (“**Lazard**” or the “**Applicant**”), investment banker to
2 PG&E Corporation and Pacific Gas and Electric Company (the “**Debtors**”), hereby submits its
3 First Interim Fee Application (the “**Interim Fee Application**”), pursuant to section 330 and 331
4 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of
5 Bankruptcy Procedures (the “Bankruptcy Rules”), and the Local Rules of Bankruptcy Practice
6 and Procedures of the United States Bankruptcy Court for the Northern District of California (the
7 “Local Rules”). By this Interim Fee Application Lazard seeks allowance of compensation for
8 professional services rendered and actual and necessary expenses incurred by Lazard for the
9 period from January 29, 2019 through and including May 31, 2019 (the “**Interim**
10 **Compensation Period**”) in the amount of \$1,134,599.53 and respectfully represents as follows:
11

12 **BACKGROUND**

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15 1. On January 29, 2019 (the “**Petition Date**”), each of the Debtors filed
16 voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to
17 operate their businesses and manage their properties as debtors-in-possession pursuant to
18 Sections 1107(a) and 1108 of title 11 of the Bankruptcy Code.
19

20 2. On February 28, 2019, this Court entered an Order establishing procedures
21 for interim compensation and reimbursement of expenses during these chapter 11 cases [Docket
22 No. 701] (the “**Interim Compensation Order**”).
23

24 3. On May 24, 2019, this Court entered certain Order Pursuant to 11 U.S.C.
25 §§ 327(a) and 328 (a) and Fed. R. Bankr. P. 2014(a) and 2016 Authorizing the Retention and
26 Employment and Retention of Lazard Frères & Co. LLC as Investment Banker to the Debtors
27 Effective as of Petition Date [Docket No. 2229] (the “**Retention Order**”) attached hereto as
28

1 **Exhibit A.**

2 4. Cases in accordance with the terms and conditions set forth in the
3 Engagement Letter (including the terms of the Indemnification Letter). The terms of the
4 Engagement Letter reflect the mutual agreement between the Debtors and Lazard as to the
5 substantial efforts that may be required of Lazard throughout the course of these proceedings.
6 The Engagement Letter provides, in consideration for the compensation contemplated thereby,
7 that Lazard will, to the extent reasonably requested by the Debtors, render the following
8 investment banking services (collectively, the “Services”)²
9

- 10
- 11 a) Reviewing and analyzing the Debtors’ business, operations and financial
12 projections;
 - 13 b) Assisting to formulate strategic and structural alternatives in connection with
14 any Transaction, Restructuring, and/or Financing, as applicable;
 - 15 c) Evaluating the Debtors’ potential debt capacity in light of its projected cash
16 flows;
 - 17 d) Assisting in the determination of a capital structure for the Debtors;
 - 18 e) Assisting in the determination of a range of values for the Debtors on a going
19 concern basis;
 - 20 f) Advising the Debtors on tactics and strategies for negotiating with their
21 Stakeholders;
 - 22 g) Rendering financial advice to the Debtors and participating in meetings or
23 negotiations with their Stakeholders and/or rating agencies or other
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² In the event of any inconsistency between the description of the Services as set forth herein and the Engagement Letter, the Engagement Letter shall control.

1 appropriate parties in connection with any Transaction, Restructuring, and/or
2 Financing;

3 h) Advising the Debtors on the timing, nature, and terms of new securities, other
4 consideration or other inducements to be offered pursuant to any Transaction,
5 Restructuring, and/or Financing;

6
7 i) Advising and assisting the Debtors in evaluating any potential Financing, and,
8 subject to Lazard's agreement to act and, if requested by Lazard, to the
9 execution of appropriate agreements, contacting potential sources of capital as
10 the Debtors may designate and assisting the Debtors in implementing such
11 Financing;

12
13 j) Assisting the Debtors in preparing documentation within Lazard's area of
14 expertise that is required in connection with any Transaction and/or
15 Restructuring;

16
17 k) Assisting the Debtors in identifying and evaluating candidates for any
18 potential Transaction, advising the Debtors in connection with negotiations,
19 and aiding in the consummation of any Transaction;

20
21 l) Attending meetings of the Boards of Directors of the Debtors with respect to
22 matters on which Lazard has been engaged to advise pursuant to the
23 Engagement Letter;

24
25 m) Providing testimony, as necessary, with respect to matters on which Lazard
26 has been engaged to advise pursuant to the Engagement Letter in any
27 proceeding before the Court;
28

- 1 n) Providing the Debtors with shareholder advisory services and advice on
2 corporate preparedness matters; and
3 o) Providing the Debtors with other investment banking and financial
4 restructuring advice.
5

6 **JURISDICTION**
7

8 5. This court has jurisdiction over this matter under 28 U.S.C. §§ 157 and
9 1334. This is a core proceeding within the meaning of 28 U.S.C. §157(b)(2). Venue of the
10 Chapter 11 case in this district is proper under 28 U.S.C. §§ 1408 and 1409.
11

12 **COMPENSATION REQUEST**
13

14 6. Lazard seeks allowance of compensation for professional services
15 rendered to the Debtors during the Interim Compensation Period in the aggregate amount of
16 \$900,000.00 and for reimbursement of expenses incurred in connection with the rendition of
17 such services in the aggregate amount of \$234,599.53, for a total amount due of \$1,134,599.53
18 (the “**Interim Compensation Amount**”).
19

20 7. For the convenience of the Court and all parties in interest, attached hereto
21 as **Exhibit B** is a summary setting forth the name of each professional for whose work on these
22 reorganization cases compensation is sought.
23

24 **SUMMARY OF SERVICE**
25

26 8. The bankers of Lazard who rendered professional services during the
27 Interim Compensation Period in these cases are as follows: Kenneth M. Jacobs (CEO); David S.
28 Kurtz (Vice Chairman); Mary Ann Deignan (Managing Director); Tomer Perry (Managing
Director); Ken Ziman (Managing Director); Christopher Couvelier (Director); Greg Hort

(Director): Christian Tempke (Director); Charles Kim (Vice President); Komu Kumar (Vice President); Eli Silverman (Vice President); Andrew Wood (Vice President); Garrett Deutsch (Associate); Dan Katz (Associate); Alexander Lotz (Associate); Nathan Mooney (Associate); Matthew Strain (Associate); Luke Cummings (Analyst); Liam Fine Analyst (Analyst); Kevin Hatch (Analyst); Michael Hinz (Analyst); Dan Liotta (Analyst); Maxwell Lubkeman (Analyst); Caroline Sambuco (Analyst) and Bryant Wang (Analyst).

9. During the Interim Compensation Period, the Debtors relied heavily on the experience and expertise of the above-named persons in dealing with matters described below. Lazard's highly skilled restructuring and M&A professionals devoted significant time and effort to perform properly and expeditiously the required professional services.

10. A summary of some of the services rendered by Lazard during the Final Compensation Period is as follows:

- a. *First Day Hearing Support* – Lazard provided material assistance for the Debtors during the first day hearing, including financial analyses and review of declarations provided by counsel. As part of the first day hearing, David Kurtz provided a declaration in support of the DIP financing, explaining the process that Lazard managed and the Debtors' need for postpetition financing.
- b. *DIP Financing* – Lazard assisted the Debtors in structuring and negotiating the DIP financing that provides liquidity to the Company during the bankruptcy. Lazard's work included assistance in sizing the financing need, structuring the financing in the most effective manner, negotiating terms with DIP lenders and reviewing and negotiating credit documents related to the financing. Lazard also assisted in creating presentation materials to help the Debtors secure credit ratings in connection with the DIP financing.
- c. *Review and Diligence of Business Plan* – Beginning after the Petition Date, Lazard professionals expended significant resources and time reviewing the Debtors' business plan and conducting due diligence of various financial forecasts and operating scenarios. Lazard professionals met at length with the Debtors' management to review capital spending programs, cost reduction opportunities and wildfire safety initiatives.
- d. *General Stakeholder Communications* – Lazard prepared, reviewed, advised and assisted in the preparation of presentation materials for each of the creditor committees, ad hoc groups, regulators and their respective advisors,

1 including creditors, equity holders, wildfire claimants, regulators and
2 government leaders to keep them informed about the Debtors' operations,
3 financial projections and liquidity. Lazard participated in regular
4 conversations with multiple parties and their advisors about due diligence
5 materials and case issues as they arose.

- 6 e. *Financing and Capital Structure Evaluation* – Lazard prepared analysis of
7 potential capital structure alternatives for the Debtors to fund the emergence
8 from Chapter 11, including an assessment of debt capacity, credit rating
9 implications and regulatory compliance. As part of this work, Lazard analyzed
10 available capital sources and potential financing structures that the Company
11 can utilize.
- 12 f. *General Bankruptcy Assistance* – Lazard participated in regular planning
13 sessions and other periodic meetings with the Debtors, their legal counsel and
14 their other advisors concerning process and strategy issues related to the
15 bankruptcy. Lazard monitored and reviewed operating results of the business,
16 the budget and performance against the budget. In addition, Lazard
17 participated in discussions with various stakeholders and constituencies to
18 keep them informed about the Debtors' operations, financial projections,
19 capital structure and other key events. Further, Lazard participated in regularly
20 scheduled board calls and assisted in the preparation of board materials.
- 21 g. *Assistance with Regulatory Filings* – Lazard analyzed, reviewed and advised
22 the Debtors on their regulatory filings with respect to the California Public
23 Utilities Commissions. Lazard's work included financial analysis, peer
24 comparison and capital structure review and was completed in coordination
25 with members of the management team and other advisors.
- 26 h. *Assistance with Governmental Legislation* – Lazard analyzed, reviewed and
27 advised the Debtors on various governmental legislative proposals related to
28 the financing of utilities in the securitization market, the provision of
insurance to companies in the industry and the treatment of claimants from
future potential wildfires. Lazard's work included financial analysis, review of
government-sponsored insurance programs and engagement with key
constituencies on behalf of the Debtors.
- i. *General Financial Analysis* – Lazard professionals assisted the Debtors'
management and other advisors in preparing various analyses related to the
Debtors' capital structure, financial projections and cash flow forecasts
throughout the Debtors' corporate structure.

ACTUAL AND NECESSARY DISBURSEMENTS OF LAZARD

11. As set forth in **Exhibit C** hereto, Lazard expended \$234,599.53 in out-of-
pocket expenses relating to its professional services during the Interim Compensation Period.

1 These charges are intended to cover Lazard's out-of-pocket costs paid to third parties related to
2 this engagement, which costs are not incorporated into Lazard's aggregate fees. Lazard has
3 maintained detailed records of actual and necessary expenses incurred during the Interim
4

5 Compensation Period. With respect to expenses, it should be noted that Lazard has absorbed
6 certain expenses customarily charged by other professionals in bankruptcy cases. For example,
7 Lazard does not allocate office telephonic charges by client and thus these costs are absorbed by
8 Lazard in its overhead and not charged to the Debtors' estate. Lazard respectfully submits that
9 the expenses for which it seeks allowance during the Interim Application Period are necessary
10 and reasonable both in scope and amount.
11

12 **LEGAL BASIS FOR INTERIM COMPENSAITION**

13

14 12. The professional services for which Lazard requests interim allowance of
15 compensation and reimbursement of expenses were rendered and incurred in connection with
16 this case in the discharge of Lazard's professional responsibilities as investment banker for the
17 Debtors in these Chapter 11 Cases. Lazard's services have been necessary and beneficial to the
18 Debtors and their estates, creditors, and other parties in interest.

19 13. In accordance with the factors enumerated in section 330 of the
20 Bankruptcy Code, Lazard respectfully submits that the amount requested by Lazard is fair and
21 reasonable given the complexity of these Chapter 11 Cases, the time expended, the nature and
22 extent of the services rendered, the value of such services, and the costs of comparable services
23 other than in a case under the Bankruptcy Code. Moreover, Lazard has reviewed the
24 requirements of the Interim Compensation Procedures Order, the Northern District Guidelines,
25 and the UST Guidelines and believes that the Interim Application complies with all of them
26 except as specifically noted herein.
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14. Notice of this Application has been provided to parties in interest in accordance with the procedures set forth in the Interim Compensation Order. Lazard submits that, in view of the facts and circumstances, such notice is sufficient and no other or further notice need be provided.

CONCLUSION

15. It is respectfully submitted that the Interim Compensation Amount requested by Lazard is fair and reasonable given (a) the complexity of the issues presented, (b) the time and labor required, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, and (e) the customary fees charged to clients in bankruptcy and non-bankruptcy situations.

WHEREFORE, Lazard respectfully requests the Court enter an order, substantially in the form

for the Proposed Order:

(i) awarding on an interim basis aggregate fees in the amount of \$300,000.00 and aggregate expenses in the amount of \$21,250.08 for the Interim Application Period;

(ii) approving and directing the Conflicts Committee and WMLP Debtors' payment of all allowed fees for services rendered and expenses incurred by Lazard in connection with this chapter 11 case that remains unpaid as of the date of entry of the Order; and

(iii) granting Lazard such other and further relief as is just and proper.

1
2 LAZARD FRÈRES & CO. LLC,
3
4

5 Ken Ziman
6 Managing Director
7 Lazard Frères & Co. LLC
8 30 Rockefeller Plaza, 61st Floor
9 New York, NY 10112
10 (212/632-6000)
11 Investment Banker to the Debtors
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